

Market Cap.
Rs.72,051 Cr.
52 Week H/L
Rs. 3,035/1,508
CMP
Rs. 2,636
Target Price
Rs. 3,408

Auto

STOCK DATA

BUY

 Reuters Code **EICH.BO**
 Bloomberg Code **EIM.IN**

 BSE Code **505200**
 NSE Symbol **EICHERMOT**

 Face Value **Rs. 1**

 Shares Outstanding **27.3 Cr**

 Avg. Daily Volume (6m) **12,91,092 Shares**

Price Performance (%)

1M	3M	6M
9	4	3

200 days EMA Rs. 2422

SHARE HOLDING (%)

Promoters	49.2
FII	28.9
FI / MF	9.5
Bodies Corporate	0.7
Public & Others	11.7

RESEARCH ANALYST

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Eicher Motors Ltd. has reported results for the quarter ended March'21. Following are the highlights of the company's performance during the quarter and FY21.

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Net Sales	2,940.33	2,208.18	33.2%	2,828.26	4.0%
EBITDA	634.39	432.18	46.8%	672.02	(5.6%)
EBITDA Margin	21.58%	19.57%	200 Bps	23.76%	(219 Bps)
Profit before Tax	688.59	446.84	54.1%	701.94	(1.9%)
Profit after Tax	526.14	304.28	72.9%	532.59	(1.2%)
PAT Margin	17.89%	13.78%	411 Bps	18.83%	(94 Bps)
EPS	19.25	11.15	72.7%	19.49	(1.2%)

Highlights from the Quarter (Q4FY21):

For Q4FY21, Eicher Motors' total revenue from operations stood at Rs. 2,940 Cr (an all time high for the company) as compared to Rs. 2,208 Cr in the corresponding quarter last year (up 33.2% YoY) and compared to Rs. 2,828 Cr (up 4.0% QoQ). EBITDA for the quarter was Rs. 634 Cr, up 46.8% compared to Rs. 432 Cr in the same period last year. This was despite increase in cost of materials consumed, improvement in EBITDA was on account of cost control measures introduced throughout the year which saw reduction in other expenses. EBITDA margin for the quarter was 21.58%, down 219 Bps on QoQ basis due to increase in cost of input metals. Net Income for the quarter stood at Rs. 526 Cr, up 72.9% from Rs. 304 Cr for the same quarter last year. This was mainly due to the good performance of VECV, which led to a share of profits from JV at Rs. 69 Cr. The company sold 203,343 motorcycles during the quarter, an increase of 25% from 163,083 motorcycles sold during the same quarter last year.

For the quarter, VECV's revenue from operations was Rs. 3,602 Cr, up 71.4% from Rs. 2,101 Cr during the corresponding period last year. EBITDA was Rs. 320 Cr, significantly higher than Rs. 37 Cr during the same quarter last year. Through various measures, the division was able to improve revenues as well as reduce costs resulting in an EBITDA margin of 8.9%, up from 1.8% during Q4FY20. Net Income for the quarter stood at Rs. 127 Cr against loss of Rs. 26 Cr for Q4FY20. The sales volumes saw a growth of 56% YoY during the quarter with volumes of 18,167 units in Q4FY21 vs. 11,629 units in Q4FY20.

For the full year, Eicher's revenue declined 5% to Rs. 8,720 Cr compared to Rs. 9,154 Cr during FY20. EBITDA was Rs. 1,781 Cr, down by 18% compared to Rs. 2,180 Cr and Net Income was recorded at Rs. 1,347 Cr, down 26% compared to Rs. 1,827 Cr for the same period last year. During the year, Royal Enfield sold 609,403 motorcycles, down 13% YoY. During the year the company added 535 dealerships and studio stores taking the retail presence to 2,056 retail touch points across more than 1,750 cities. The international footprint has also increased to more than 130 exclusive stores and a retail footprint of over 760 stores in more than 60 countries.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY20	9,154	2,180	1,827	20%	67.0	31.9	2.34	5.8
FY21E	8,720	1,781	1,347	15%	49.3	75.9	3.96	5.6
FY22E	13,084	3,312	2,698	21%	98.7	26.4	2.15	4.8
FY23E	15,988	4,727	3,874	24%	141.7	17.9	1.66	3.9

OUTLOOK AND VALUATION

The company's performance after the 1st Covid-19 induced lockdown was strong, with the premiumization theme playing out as anticipated. Therefore, despite losing out on almost a month's sales at the beginning of the year, the volumes recovered well. In addition to the motorcycle volumes, the trucks business picked up after the transition to BSVI was completed. The company launched its Meteor motorcycle during the second half, which was very well received by the market. During the year, the company has faced various challenges as its supply chain hasn't been able to meet the growing demand leading to a long waiting period for the customers. The margins have also been under pressure as prices of input metals, especially precious metals have increased over the last few months. The company has innovated their processes to reduce the content of precious metals in their motorcycles and the effects of this will be seen going forward. The pipeline of new product launches is on track as indicated by the management. Some delay in launch schedules could happen given the supply chain is experiencing difficulties.

With the second wave of Covid-19 currently going on, many dealerships are closed and we anticipate Q1FY22E performance to get impacted, however the management is confident that once the lockdowns are eased, the demand for personal mobility will still be high.

The company's performance was in line with our estimates for the quarter and the full year. We maintain our forecasts for FY22E and FY23E. We expect a Net Profit of Rs. 3,874 Cr for FY23E, translating to a Net margin of 24.2%. We expect FY23E EPS at Rs. 142. We maintain our assigned PE multiple of 24x and maintain our target price of Rs. 3,408, showcasing an upside of 29% over an investment horizon of 18-24 months. We maintain BUY on Eicher Motors.



Profit & Loss Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
Revenue	9,154	8,720	13,084	15,988
Raw Material Cost	4,996	5,113	7,547	8,774
Employee Cost	796	843	1,013	1,145
Other Expenses	1,182	983	1,212	1,341
EBITDA	2,180	1,781	3,312	4,727
<i>EBITDA Margin (%)</i>	<i>23.8%</i>	<i>20.4%</i>	<i>25.3%</i>	<i>29.6%</i>
Depreciation	382	451	503	546
EBIT	1,799	1,331	2,809	4,181
<i>EBIT Margin (%)</i>	<i>19.7%</i>	<i>15.3%</i>	<i>21.5%</i>	<i>26.2%</i>
Finance Costs	19	16	26	32
Other Income	543	453	654	799
Share of Profits from Joint Venture	32	31	161	216
Profit before Tax	2,355	1,798	3,597	5,165
Tax Expense	527	452	899	1,291
Net Profit	1,827	1,347	2,698	3,874
<i>Net Margin (%)</i>	<i>20.0%</i>	<i>15.4%</i>	<i>20.6%</i>	<i>24.2%</i>
EPS	67	49	99	142

Financial Ratio Statement

Y/E Mar.	FY20	FY21	FY22E	FY23E
Growth (%)				
Revenue	(6.6%)	(4.7%)	50.0%	22.2%
EBITDA	(24.9%)	(18.3%)	85.9%	42.8%
Net Profit	(17.0%)	(26.3%)	100.3%	43.6%
Profitability (%)				
EBITDA Margin	23.8%	20.4%	25.3%	29.6%
Net Profit Margin	20.0%	15.4%	20.6%	24.2%
ROCE	17.2%	11.2%	20.0%	24.3%
ROE	18.3%	11.8%	19.9%	23.1%
Per Share Data (Rs.)				
EPS	67	49	99	142
BVPS	366	419	497	614
Valuation (x)				
P/E	39.4	53.5	26.7	18.6
P/BV	7.2	6.3	5.3	4.3
EV/EBITDA	33.1	40.5	21.8	15.1
P/SALES	0.29	0.30	0.20	0.16
Turnover				
Inventory days	42	62	52	43
Debtor days	3	7	6	5
Creditor days	74	110	77	70
Gearing Ratio				
Debt/Equity	0.02	0.02	0.01	0.01
Free Cash Flow to the Firm	121	56	1,865	2,137
Free Cash Flow to Equity	78	(2,823)	1,824	1,244

Source: Company, Sushil Finance Research

Balance Sheet Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
PP&E (incl. CWIP)	2,029	1,958	2,044	2,297
Other Non-Current assets	4,047	3,792	4,517	5,380
Inventories	572	875	1,078	1,032
Trade Receivables	87	158	201	228
Cash and Bank Balances	2,951	5,830	5,852	6,676
Other Current Assets	2,765	1,945	2,924	4,191
Total Assets	12,450	14,559	16,616	19,805
Equity Share Capital	27	27	27	27
Reserves & Surplus	9,954	11,411	13,562	16,752
Borrowings (LT & ST)	144	157	157	112
Other Non-Current Liabilities	450	492	421	400
Trade Payables	1,008	1,536	1,589	1,687
Other Financial Liabilities	174	182	184	186
Other Current Liabilities	529	532	455	419
Current Tax Liab & Provisions	164	221	221	221
Total Liabilities	12,450	14,559	16,616	19,805

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
PBT	2,355	1,798	3,597	5,165
Depreciation	382	451	503	546
Interest	19	16	26	32
CFO before Working Cap chg	2,755	2,266	4,126	5,743
Chg in Inventories	61	(302)	(204)	46
Chg in Investments	(2,044)	1,436	(886)	(1,235)
Chg in Trade Receivables	(2)	(71)	(43)	(27)
Chg in Other Current Assets	19	(34)	(93)	(32)
Chg in Short term Borrowings	(42)	13	(0)	(45)
Chg in Trade Payables	(226)	528	53	98
Chg in Other Fin Liabilities	11	8	2	1
Chg in Other Current Liabilities	(88)	135	(77)	(36)
Income Taxes Paid	(527)	(452)	(899)	(1,291)
Other Adjustments	1,520	(1,157)	-	-
Cash Flow from Operations	1,694	1,714	1,979	3,222
Chg in Other Non-current Liabilities	26	97	(71)	(20)
Interest Paid	(19)	(16)	(26)	(32)
Dividend Paid	(341)	(465)	(547)	(683)
Other Adjustments	(578)	425	-	-
Cash Flow from Financing	(858)	(15)	(644)	(736)
Capital Expenditure	(446)	(381)	(589)	(799)
Investments	1,166	444	(670)	(828)
Other Non-Current Assets	69	(24)	(55)	(35)
Other Adjustments	(2,023)	(1,522)	-	-
Cash Flow from Investing	(1,508)	(1,648)	(1,314)	(1,662)
Opening Cash	727	43	94	115
Total Cash Flow	(673)	51	21	824
Closing Cash	54	94	115	939

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
18-Mar-21	Re-instating Coverage	Buy	2,660	3,408
12-Jan-21	Book Profit	Neutral	2,869	-
18-Aug-20	Q1FY21 Update	Buy	2,154	2,868
30-Jul-20	Initiating Coverage	Buy	2,138	2,868

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%
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Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No